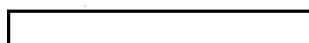


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DAILY BRIEF

*Panama: (Information as of 0400 EST) Sporadic violence continues along the Canal Zone border and may increase in severity.

Attacks on US-owned property at several locations in the interior of the country were reported yesterday and some 25 American families from the banana plantation area of western Panama have sought refuge in Costa Rica.

Communist and pro-Castro organizers have capitalized on the volatile combination of nationalism, poverty and public irresponsibility in Panama to propel the student dispute into violence. Communist student leaders are known to have been prepared to exploit and prolong any outbreaks arising from traditional Panamanian sensitivity on canal issues.

The hasty suspension of diplomatic relations with the US probably was regarded as a political necessity by the governing coalition parties. The weakness and relative unpopularity of the Chiari administration threatens the coalition's chances of retaining power in next May's elections. A government's record in obtaining concessions from the US is an important political consideration to Panamanian voters.

Assistant Secretary of State Thomas Mann, leader of the special delegation sent to Panama yesterday,

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described his initial conversation with Chiari as "satisfactory." As outlined by Chiari, the Panamanian position is based on (1) immediate resolution of the flag issue, and (2) a review of all aspects of the Canal Zone treaty of 1903 if diplomatic relations are to be resumed. Mann believes Chiari may be flexible on the latter point.

Panamanian ambassador to the UN, Aquilino Boyd, who presented Panamanian charges of aggression to the Security Council emergency session last night, has long been noted for his virulent anti-US statements.

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After Panama and the United States accepted a Brazilian suggestion that the UN appeal to both countries to stop violence and let the Organization of American States (OAS) attempt to settle the dispute, the Security Council adjourned without setting a date to meet again. An OAS peace commission is scheduled to arrive in Panama this morning.

The Venezuelan government has announced its support of Panama and other Latin American countries will probably follow suit. Communist bloc reaction to the events of 9 and 10 January was swift, claiming that US military forces were solely responsible. Free world commentary has been generally restrained thus far.

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South Vietnam:

[REDACTED]

[REDACTED]

[REDACTED] Viet Cong units in the delta last summer were ordered to step up their military activities in an effort to divert Republic of Vietnam attention from the central sector of the country. The Communists believed their own forces in the latter area were "very weak" and they planned to move in additional troops in order to "regain control of the situation."

[REDACTED] Viet Cong offensive action in the delta has, in fact, increased in the past several months. The Viet Cong have also recently formed a new battalion in central South Vietnam.

[REDACTED] Hanoi is concerned over the human, material, and financial difficulties it faces in winning a complete military victory in South Vietnam. [REDACTED] Hanoi hoped, by continuing and increasing Viet Cong military pressure, to force the South Vietnamese to adopt a policy of neutrality.

[REDACTED] the North Vietnamese believe that if this can be achieved they will have no difficulty in then establishing full Communist control over South Vietnam.

[REDACTED]

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NATO - MLF: [British and Italian agreement to participate in the projected demonstration of mixed-manning apparently assures that this step in the development of a multilateral nuclear force (MLF) will go forward.]

[This brings to six the number of NATO members that will take part in the demonstration. The Dutch are still considering their position. The British decision is qualified by Defense Minister Thorneycroft's previous announcement that participation would not involve UK commitment to the MLF.]

[An Italian NATO delegate has said privately that Rome's decision represents an important step toward Italy's participation in the MLF as it "presumably" was taken with the approval of Vice Premier Pietro Nenni, leader of the Socialists. In view of the present divisiveness that the MLF issue exerts within the Socialist Party and between the Socialists and other coalition parties, it seems doubtful that Nenni would approve Italy's taking part in the demonstration if it were to be construed as a firm commitment to join the force at this time.]

[On 8 January, President Segni indicated that he intended to push Italy's adherence to the MLF at the next meeting of the National Defense Council, which he heads. Segni and NATO Ambassador Alessandrini probably hope to use the controversy that surrounds Italy's projected membership in the MLF to disturb relations between the Christian Democrats and Socialists and thus undermine the new center-left government.]

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NOTE

Bolivia-Cuba: President Paz Estenssoro told the US ambassador that Bolivia cannot break diplomatic relations with Cuba at this time because such a move would cost him many votes in next June's national elections. Ambassador Henderson believes that Paz is neither ideologically nor personally committed to continued relations with Cuba and believes that Paz would reconsider if he is re-elected. In the meantime, Paz has agreed to make it more difficult for Bolivians to travel to Cuba. (

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The Special Assistant for National Security Affairs

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The Director of the Budget

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The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

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The Under Secretary of the Treasury

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The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Assistant Secretary of Defense

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

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U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

Commander in Chief, Atlantic

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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